



MEMORANDUM

February 7, 2018

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Victor Makras
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational presentation regarding the proposed Amendment and Restatement of Port Lease No. L-14100 with Java House, LLC, located at Pier 40½ at the Embarcadero and Townsend Street

DIRECTOR'S RECOMMENDATION: Informational Only - No Action Required

Executive Summary

Java House is a longstanding restaurant operation at Pier 40½. In the latest phase of an ongoing dialogue with the Port regarding coming into compliance with lease requirements for capital improvements, and in an overall desire to improve operational performance, the tenant has approached the Port with a proposal to restructure ownership and bring in a new investor.

Under this proposal, the reconstituted entity would complete the previously required capital improvements, plus construct an addition to the restaurant to allow outdoor dining and alcohol sales, subject to amendments to the lease that would improve the Port's financial metrics and provide the tenant with additional lease term, all as further described below. Port staff has commissioned a third party financial analysis of the proposed terms in relation to fair market value and the likely benefits to the Port. This staff report summarizes the status of current negotiations for purposes of explaining the policy issues surrounding this proposal and receiving direction from the Port Commission regarding how to frame further negotiations upon completion of the third party analysis.

This Print Covers Calendar Item No. 12B

Port staff sees potential benefits to the Port of this arrangement, but notes that the lease term extension proposal does not qualify for direct negotiation under the Port Commission's adopted Retail Leasing Policy. Because there is approximately 5 years of term remaining on the current lease, the Port could not bid out this opportunity without pursuing a default remedy against the current owner. Factoring the time and expense that such a strategy would require and the uncertainty of the market interest at the time a new opportunity is offered, staff believes that taking all circumstances into account, the proposal would yield a more timely, certain and more beneficial financial outcome to the Port as compared to other options.

This informational presentation is being brought forward to allow for a comprehensive dialogue of the policy implications of the pursuit of a lease extension combined with an ownership restructuring in a situation where the tenant has not fulfilled material terms of its lease. Subject to Port Commission direction, Port staff anticipates incorporating today's feedback and the results of the third party analysis into further negotiations with the tenant and proposed investor. If those negotiations are successful in addressing concerns raised by the Port Commission today, Port staff would return to the Port Commission with a recommendation for action.

Strategic Objective

The proposed amendment and restatement of lease is expected to contribute in a substantial way to meeting the Stability Objective of the Port's Strategic Plan by managing the real estate portfolio to maximize value and income to the Port and to foster a tenant that would be better able to perform through economic cycles.

Background

The Java House, under various owners, has operated at Pier 40½ since 1912. Along with Red's Java House at Pier 30 and the Pier 23 Café at Pier 23, it is one of the last "working person's" cafes that once dotted the San Francisco waterfront when the Port's finger piers were working cargo and passenger terminals employing tens of thousands of longshoremen, stevedores, clerks, warehousemen and teamsters. These restaurants also served the crews and passengers of the cargo and passenger ships calling at the Port of San Francisco.

While the economic and maritime landscape of the San Francisco Waterfront has changed dramatically from those bygone days, the current owners of the Java House, LLC (Java House) have maintained the tradition of providing affordable dining for San Franciscans and others visiting or enjoying a baseball game at Oracle Park or a boating excursion out of South Beach Harbor. The Papadopoulos family has operated the Java House at Pier 40½ for over 33 years. First, under the stewardship of Phillip and Sotiria Papadopoulos, and then in 2006, the senior Papadopoulos family members passed forward this stewardship to a new family generation led by their daughter Maria Papadopoulos-Moustakis.

Lease Summary

The Java House currently operates under Port Lease No. L-14100 (the “Original Lease”), which commenced on September 1, 2008, as approved by the Port Commission by Resolution No. 06-36 and Board of Supervisors Resolution No. 555-07. The term of the Original Lease is for fifteen (15) years and will expire on August 31, 2023. The Original Lease covers approximately 1,490 square feet of existing building space housing the Java House restaurant. The Java House is allowed under the Original Lease to operate as a casual food restaurant with bar service.

The Original Lease provides for the Port to receive the greater of guaranteed monthly base rent or percentage rent. Current monthly Base Rent is \$3,314.39, which equates to \$39,772.68 per year. Percentage rent is set at 7.5% of Gross Sales for food, beverage and retail sales. For the 12 month period ending in November 2018, Java House reported average monthly Gross Sales of \$17,631.51, which resulted in no Percentage Rent being paid to the Port. Moreover, Percentage Rent has not exceeded Base Rent since the commencement of the Original Lease in 2008. The Port is also entitled to a 10% participation in the proceeds of a transfer of the Original Lease.

Pursuant to the Lease, Java House was required to make capital improvements of at least \$346,120.00 to the facility by September 1, 2010. Java House has not completed the required capital improvements and is thus currently not in compliance with the Original Lease.

Proposed Transaction

The owners of the Java House have been engaged in negotiations to sell the Original Lease to a new entity in which the current owners will retain a 15% interest. The transfer of the Original Lease is subject to Port staff consent, which cannot be unreasonably withheld. (However, Port staff notes that the failure to complete the required capital improvements would be a reasonable grounds to withhold consent.) The proposed purchaser entity is Shareheffholder LLC Series E, dba: Frankie’s Java House, LLC (Frankie’s), with the majority owner being Michael Heffernan, a well know businessman in San Francisco associated with the insurance industry.

Staff of the Port’s Finance and Administration division has reviewed Mr. Heffernan’s financial information and verified his financial capacity for the proposed investment and ability to complete the capital improvements. Mr. Heffernan has also committed to hiring a manager from one of his existing restaurant operations to manage the operation under the new entity, rather than utilizing current Java House management or staff.

The Frankie’s proposal seeks to resolve the current outstanding issues related to completion of the required capital improvements and make an additional investment in order to reposition the restaurant into a viable business enterprise. Mr. Heffernan has indicated that he is willing to (i) condition any extension of lease term on the successful completion of the site improvements and (ii) provide a personal guarantee for the cost of construction. The proposed amended lease (the “Amended Lease”) would require Frankie’s to make a capital investment of no less than \$450,000.00 into the facility, which also includes the improvement requirements not completed as required by the

Original Lease. Upon 100% completion of the capital improvements, which must be completed within one (1) year of the commencement of the Restated Lease, Frankie's will have the right to exercise an option to extend the term of the amended lease for eleven (11) years. As noted above, a third party consultant review is underway to evaluate these lease terms, including the extension term as it relates the value offered to the Port.

A summary of potential lease amendment terms is attached as Exhibit A. Table 1 below compares two scenarios: (1) the operation of the Original Lease terms and no transfer with (2) the proposed amended terms for the Amended Lease if the transaction moves forward as described (though as noted Port staff intends to continue negotiations based on Port Commission direction and informed by third party analysis).

Table 1. Comparative Lease Scenarios		
Deal Term	Original Lease - Base Case	Proposed Transaction
Expiration Date	August 31, 2023	August 31, 2023, subject to an extension until August 31, 2034 (approximately 11 years) if improvements are complete and tenant is in good standing.
Base Rent	\$3,314.36 per month as of December 2018	\$4,000 per month upon approval and execution of the amended lease (a 20.7% increase). Base rent will be waived for three months during the construction of the required improvements, but percentage rent will still be payable on gross revenues from any operations without setoff of base rent.
Percentage Rent	7.5%	7.5%
Capital Improvement requirements	Tenant required by original Lease to remodel premises to include: <ol style="list-style-type: none"> 1. ADA restrooms 2. ADA Service Counter 3. FOG interceptor 4. Remodel kitchen and dining area and furniture (cost not less than \$172,882) 5. New interior paint 6. New sewer line Items above to be completed at a cost of not less than	Frankie's must cure lease default and complete all of the improvements required under the Original Lease. In addition, Frankie's must construct an 853 square foot enclosed outdoor seating area. The projected cost for these tenant improvements is approximately \$450,000. All improvements will be completed within one year of lease signing; estimated completion in summer 2019. The term extension could not

Table 1. Comparative Lease Scenarios		
Deal Term	Original Lease - Base Case	Proposed Transaction
	\$346,140 by September 1, 2010. Port could pursue default proceedings, but as noted in the Executive Summary above the removal of tenant and replacement with a new tenant could result in a long period of no revenue from the site.	be exercised until tenant improvements are completed. Funding for tenant improvement costs will be secured by personal guarantee from Michael Heffernan.
Transfer Participation Metric	Port is entitled to 10% of the purchase price of the lease, net of costs of sale	Port is entitled to 12% of the \$525,800 Purchase Price of the Lease (and any future sale), net of "Costs of Sale" as defined in the Lease.
Transfer Participation Amount	\$0 if no transfer	Up to \$63,096, depending on the costs of the sale

Project Description

Current Java House Site

The current site consists of a portion of the Pier 40½ marginal wharf located at the north end of the South Beach Harbor Promenade directly adjacent to and overlooking South Beach Harbor. The restaurant is just north of and across the promenade from the Harbor Boat House. The current leasehold area of the existing lease is approximately 1,490 sq. ft. consisting primarily of just the building footprint with no outdoor seating allowed. Per the Port’s Rapid Structural Assessment Report in August 2017 the substructure was rated Green - which is unrestricted use and generally in good condition. See Exhibit B for the current Site Plan.

Proposed Improvements to the Site

Frankie’s proposes to invest no less than \$450,000.00 in capital improvements. In terms of sales performance and revenue generation the most impactful portion of the proposed investment is the addition of an enclosed outdoor patio that will increase seating capacity and add more appealing views and atmosphere.

The proposed improvements include the following:

- Addition of ADA accessible restroom, and relocation of 2nd restroom
- Construction of an ADA accessible ramp from the sidewalk into the restaurant
- Construction of ADA accessible service counters
- Class 1 FOG interceptor

- Remodeled kitchen with new kitchen equipment, kitchen hood, cooking and prep surfaces
- Remodeled dining area (remove existing bathroom and closet in front kitchen area to add seating and sales counter)
- Add bar in current dining area
- Interior and exterior paint, window repairs, roof repairs and cosmetic improvements
- Installation of new sewer lateral connection, and other required utility modifications
- Railing to enclose patio café seating area to the north and west of the building
- Public access seating, bike racks and picnic tables to the south of the building
- Outdoor café seating in place of current garbage dumpsters on north end and west side of building
- Improve Refrigerated storage
- Repair and update exterior signage (consistent with Port Sign Guidelines)
- All work will be consistent with the Secretary of the Interior Standards for Historic Rehabilitation

See Exhibit C for the Proposed Site Plan

Proposed New Management Team and Strategy

Michael Heffernan intends to build from his success at Vin Antico restaurant in San Rafael and to reposition Frankie's by pursuing successful strategies reflected at the Port's other waterfront casual dining locations. The project sponsor has provided the following information about its experience with related businesses:

Vin Antico opened in San Rafael in 2006 and was modestly successful until 2013 when it closed and was put up for sale. Michael Heffernan purchased the business in 2013 and brought in a new management team, transitioning to a more dinner and wine focus including a wine bar while the menu shifted from primarily Italian to a farm to table focus. After this transition 2014 sales revenues increased by 86% to \$887,482. Over the past five years Vin Antico has generated annual average sales of \$758,124.00 per year; the performance for 2018 fell to \$632,467 partly as a result of a remodeling of the second floor of the restaurant.

Kelly Phu is the General Manager of Vin Antico and will oversee the Java House business. David Donati, one of the founding partners of Frankie's Java House, LLC, is the Chief Operating Officer of Maxville Lake Winery in the Napa Valley. David spearheaded the development of a large (27,000 square feet) tasting room and event center at the winery. David is leading the design of the new kitchen and development of a new menu for Frankie's. Maxville Lake Winery opened in 2015 and by 2018 was generating sales over \$1 million domestically and another \$1.5 million internationally.

The proposed Frankie's restaurant will merge the strategy of the Vin Antico shift towards dinner and more lucrative beverage sales with the price points of other Port restaurants with outdoor dining. See Exhibit B for more detail on the business strategy and pro forma projections as provided by the project sponsor and subject to further review and verification by Port staff.

Past and Projected Financial Performance

As shown on the Annual Gross Sales and Percentage Rent Revenue table below, for the past five years Java House has not achieved annual gross sales that resulted percentage rent payable to the Port.

Java House Sales & Rent FY 14-18				
Year	Reported Gross Sales	Base Rent	% Rent	Total Rent Paid
2014	\$134,211.00	\$31,488.00	\$0	\$31,488.00
2015	\$131,220.00	\$31,488.00	\$0	\$31,488.00
2016	\$175,160.00	\$35,471.00	\$0	\$35,471.00
2017	\$166,924.00	\$38,316.00	\$0	\$38,316.00
2018	\$210,739.00	\$39,773.00	\$0	\$39,773.00
Total				\$176,536.00

Frankie’s projects the generation of a significant increase of approximately \$235,169.00 in additional rent over the initial 5 years of the new amended and restated lease, as compared to 5 prior years of rent paid by Java House. As noted above in “Executive Summary”, Port staff has commissioned a third party analysis to validate these projections.

Frankie’s Java House Five-Year Projected Sales & Rents				
Year	Projected Gross Sales	New Base Rent	% Rent	Projected Rent
1	\$789,400	\$36,000.00	\$59,205.00	\$59,205.00
2	\$900,000	\$49,440.00	\$67,500.00	\$67,500.00
3	\$1,100,000	\$50,923.20	\$82,500.00	\$82,500.00
4	\$1,300,000	\$52,450.92	\$97,500.00	\$97,500.00
5	\$1,400,000	\$54,024.48	\$105,000.00	\$105,000.00
Total				\$411,705.00

Port Staff Policy Analysis

The current proposal implicates a question for the Port Commission in relation to its existing policies.

As a basic business proposition, Port staff sees some value in the proposed restructuring of the tenant entity and amendment of the lease. Based on the proposed management team’s business improvement strategy and the success of similar strategies at other waterfront restaurants with casual dining and bar operations, Port staff believes the proposed transaction would reasonably be expected to improve the Port’s revenues from this restaurant. This represents an opportunity to improve a Port-owned facility and operating revenue performance without investment of Port funds or incurring the costs and lost revenues of pursuing default remedies and seeking a new operator under a competitive solicitation.

At the same time, Port staff observes that it is challenging at best to recommend that the Port Commission, in essence, reward the current tenant’s failure to uphold the terms of its lease by facilitating a transaction that will result in that tenant’s realization of a significant financial benefit.

In light of these challenges, Port staff recommends that the Port Commission continue to explore this transaction and direct staff to incorporate the results of the third-party

analysis in further negotiations that reflect the fair market value of the improved terms of the deal, net of the improvements that were required under the Original Lease but not completed. While this may have the effect of reducing the value of the transfer participation, Port staff believes the other gains (including in terms of the policy basis for proceeding with the transaction) would outweigh this loss.

Projected Schedule

Port staff seeks comment, input and guidance from the Port Commission at the February 12, 2019 meeting on Frankie's proposed Amendment and Restatement of Lease with the tenant ownership restructuring. If so directed, Port staff intends to incorporate the feedback from the Port Commission in its negotiations and return to a future Port Commission meeting with a recommendation for action at the March 12 or March 26, 2019 Port Commission meeting (depending on the delivery of the consultant analysis reference above and subject to completion of any required environmental review).

Prepared by: Mark Lozovoy
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Prepared for: Michael Martin
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Exhibit A: Draft Lease Amendment Provisions

Exhibit B: Proposed Business Strategy and Pro Forma Projections

Exhibit C: Current Site Plan

Exhibit D: Proposed Site Plan

EXHIBIT A

Draft Lease Amended Lease Provisions

Tenant:	Frankie's Java House, LLC
Proposed Project:	Shareheffholder LLC Series E, dba: Frankie's Java House, LLC (Frankie's) has proposed to; (1) purchase the lease from Java House, (2) seek Port consent to assignment of the lease from Java House to Frankie's, (3) amend and restate the lease to extend the term and include various revised economic terms.
Lease Structure:	Amendment and Restatement of the existing lease contingent upon a sale of the lease from Java House to Frankie's, Port's consent to the sale and payment to the Port of 12% of the sale proceeds. The Amended Lease is subject to Board of Supervisors' approval.
Premises:	Parcel A – Approximately 1,490 square feet of restaurant space located at South Beach Harbor. Parcel B – Approximately 853 square feet of exterior marginal wharf space located adjacent to the restaurant. The Premises will be expanded by adding Parcel B to the current leasehold.
Term:	15 years (inclusive of 4 years remaining on the current Lease), which equates to an 11-year extension of the current lease term. The option to extend the lease term shall only become effective upon completion and final "close-out" of the Building Permit for the tenant improvements by the Port's Building Inspection Department, which must be completed within one (1) year of the commencement of the amended lease. If the improvements are not timely completed, the lease will expire on August 31, 2023 (the original expiration date).
Base Rent / Minimum Rent under Amended Lease:	\$4,000.00 per month
Rent Abatement for Construction:	Base Rent shall be abated during construction of improvements for a period up to, but not to exceed three (3) months. Tenant shall continue to pay percentage rent due to the Port during the rent abatement period.
Base Rent Escalation:	Base Rent escalated by 3% annually.
Percentage Rent:	7.5% of gross sales.
Participation of sale or refinance:	12% of net proceeds from sale or refinance, including the contemplated transfer to Frankie's.
Use:	The Premises shall be operated as a casual dining restaurant and bar (Parcel A) and an outdoor patio area for

	exterior seating (Parcel B), and for uses necessarily related thereto and for no other purpose.
Capital Investment:	Tenant shall expend not less than \$450,000 in improvements including all hard and soft costs, including furniture, fixtures and equipment.
Tenant Improvements:	The proposed renovation includes; two ADA restrooms, accessible service counters, new FOG interceptor, remodeled kitchen and dining areas, outdoor patio/dining area, new paint, installation of a new sanitary sewer line, new kitchen equipment, a new bar, refrigeration, plumbing and other improvements.
Outdoor Patio:	The Premises would be expanded to include an area for outdoor patio seating (Parcel B) to the north and west of the building to be used exclusively for serving restaurant customers. This area would be added to the Premises, as shown on Exhibit C
Rent Credits:	None.
BCDC/Additional Public Access:	Pursuant to the amended BCDC Permit, tenant will install public access seating, which will include new tables and other improvements in the area to the south of the restaurant building, as also shown on Exhibit C .
ABC License:	Tenant, at tenant's sole cost and expense will secure an ABC Type 47 License to serve alcohol. Port will finally approve tenant's obtaining of such license only after all Tenant Improvements have been entirely completed as specified above.
Personal Guarantee:	Mike Heffernan will sign a personal guarantee in an amount equal to the cost of the Tenant Improvements in lieu of a performance bond.
Update of Port Standard Form Lease:	The Amendment will include necessary updates to the Port standard form lease, including As Is, indemnity, insurance, hazardous materials, financial guarantees, Operations Plan, maintenance and repair, etc. provisions and current City requirements including payment of prevailing wages and local hiring for tenant improvements.

EXHIBIT B

Basis of Projections

Java House - Breakfast and Lunch

Java House currently serves breakfast and lunch seven days a week. They sell beer and wine (cans and bottles only, no taps) and have no bar to speak of. They have 36 seats, all indoors and total square footage of 1,350. Their highest priced menu item is the salmon burger at \$11.00 and most of their items are priced under \$10.00

Their sales were 168,363 for the 12-month period from October 2017 to October 2018. Their annual average sales have been in this range for several years. Their annual sales were \$4,676 per seat and \$125 per sf.

The most competitive similar Port tenant is Red's Java House, which has similar hours of operation (breakfast and lunch) and similar menu pricing (their highest priced item is \$12.50), but a full bar. Red's annual sales were \$7,915 per seat and \$347 per sf. (NOTE – we estimated the number of seats at 100).

The main differences between Reds and Java House are the bar and the outdoor patio.

High Performing Casuals – HI Dive and Pier 23

HI Dive and Pier 23 are some of the Port's highest performing restaurants on a per square foot basis. They accomplish this by

- 1) Offering quality affordably priced menu 7 days a week, including brunch
- 2) Operating a full bar
- 3) Providing a lively atmosphere (music) and waterside patio dining, with an active bar
- 4) Catering to targeted crowds (Giants fans at HI Dive and tourists at Pier 23 Café).

Growth Plan

Our plan is to grow sales with the following measures.

- 1) Add Seats on patio. The number of indoor seats will remain roughly the same at 36 due to the space requirements of ADA restrooms, but the outdoor patio will seat an estimated 54 patrons.
- 2) Introduce full bar. Liquor sales are typically approximately 20% of all sales, so we project this will increase our sales.
- 3) Following renovation, shift to lunch and dinner service with full bar and music, with brunch. This will generate more volume and turns per seat than breakfast and lunch.
- 4) Raise prices. Pricing will increase by an average of 10-15% above the current pricing at Java House to be comparable to other casual waterfront restaurants.

Revenue Projections, Java House LLC

Indoor Area	SF
First Floor	1,350
	-
Total	1,350
Outdoor SF	
New Patio	480
	-
Total	480
TOTAL	1,830
Seats	
Indoor	36
Outdoor	40
Total	76

Year	Gross Sales	Sales / TOTAL SF	Sales / Indoor SF	Sales / Total Seats
2018	\$ 789,400	\$ 431	\$ 585	\$ 10,387
2019	\$ 900,000	\$ 492	\$ 667	\$ 11,842
2020	\$ 1,100,000	\$ 601	\$ 815	\$ 14,474
2021	\$ 1,300,000	\$ 710	\$ 963	\$ 17,105
2022	\$ 1,400,000	\$ 765	\$ 1,037	\$ 18,421
2023	\$ 1,442,000	\$ 788	\$ 1,068	\$ 18,974
2024	\$ 1,485,260	\$ 812	\$ 1,100	\$ 19,543
2025	\$ 1,529,818	\$ 836	\$ 1,133	\$ 20,129
2026	\$ 1,575,712	\$ 861	\$ 1,167	\$ 20,733
2027	\$ 1,622,984	\$ 887	\$ 1,202	\$ 21,355

NOTE: HiDive, Pier 23 and Red's are the basis of these projections

	Number	Average / che	Customers	Total	Turns
Game Days	81	\$ 25.00	200	\$ 405,000	2.63
Event Days	10	\$ 25.00	200	\$ 50,000	2.63
Weekends	74	\$ 20.00	80	\$ 118,400	1.05
Weekdays	200	\$ 18.00	60	\$ 216,000	0.79
TOTAL	365			\$ 789,400	

Revenue Projections, Java House LLC

Indoor Area	SF
First Floor	1,350
	-
Total	1,350
Outdoor SF	
New Patio	850
	-
Total	850
TOTAL	2,200
Seats	
Indoor	36
Outdoor	40
Total	76

Year	Gross Sales	Sales / TOTAL SF	Sales / Indoor SF	Sales / Total Seats
2018	\$ 789,400	\$ 359	\$ 585	\$ 10,387
2019	\$ 900,000	\$ 409	\$ 667	\$ 11,842
2020	\$ 1,100,000	\$ 500	\$ 815	\$ 14,474
2021	\$ 1,300,000	\$ 591	\$ 963	\$ 17,105
2022	\$ 1,400,000	\$ 636	\$ 1,037	\$ 18,421
2023	\$ 1,442,000	\$ 655	\$ 1,068	\$ 18,974
2024	\$ 1,485,260	\$ 675	\$ 1,100	\$ 19,543
2025	\$ 1,529,818	\$ 695	\$ 1,133	\$ 20,129
2026	\$ 1,575,712	\$ 716	\$ 1,167	\$ 20,733
2027	\$ 1,622,984	\$ 738	\$ 1,202	\$ 21,355

NOTE: HiDive, Pier 23 and Red's are the basis of these projections

	Number	Average / check	Customers	Total	Turns
Game Days	81	\$ 25.00	200	\$ 405,000	2.63
Event Days	10	\$ 25.00	200	\$ 50,000	2.63
Weekends	74	\$ 20.00	80	\$ 118,400	1.05
Weekdays	200	\$ 18.00	60	\$ 216,000	0.79
TOTAL	365			\$ 789,400	

Restaurant	Est Outdoor	Indoor SF	Total SF	estimated seats	Sales Oct 2017- 18	Per TOTAL SF	Per Indoor SF	Per Seat
HiDive	500	1,937	2,437	99	\$ 2,017,519	\$ 828	\$ 1,042	\$ 20,378.98
Reds	1500	783	2,283	100	\$ 791,597	\$ 347	\$ 1,011	\$ 7,915.97
Pier 23	1835	3,000	4,835	175	\$ 5,001,646	\$ 1,034	\$ 1,667	\$ 28,580.83
Java House - Current		1,350	1,350	36	\$ 168,363	\$ 125	\$ 125	\$ 4,676.75
Frankies Java House - Proposed.	850	1,350	2,200	90	\$ 789,400	\$ 359	\$ 585	\$ 8,771.11

Restaurant	Highest Priced Item	Service	Bar	Hours
HiDive	\$ 16.95	Lunch and Dinner	Full Bar	11:30 am - 11 pm
Reds	\$ 12.50	Breakfast and Lunch	Full Bar	7:00 am - 5:00 pm
Pier 23	\$ 22.00	Lunch and Dinner	Full Bar	11:30 am - 11 pm
Java House	\$ 11.00	Breakfast and Lunch	Beer and Wine	7:00 am - 5:00 pm
Frankies	\$ 13.50		Full Bar	7:00 am - 8:00 pm

Java House LLC
Projected Cash Flows

Revenue	Year 1	%	Year 2	%	Year 3	%	Year 4	%	Year 5	%
Category										
Food	\$ 339,442	43%	\$ 387,000	43%	\$ 473,000	43%	\$ 559,000	43%	\$ 602,000	43%
Liquor	\$ 213,138	27%	\$ 243,000	27%	\$ 297,000	27%	\$ 351,000	27%	\$ 378,000	27%
Wine	\$ 71,046	9%	\$ 81,000	9%	\$ 99,000	9%	\$ 117,000	9%	\$ 126,000	9%
Beer	\$ 142,092	18%	\$ 162,000	18%	\$ 198,000	18%	\$ 234,000	18%	\$ 252,000	18%
Coffee	\$ 7,894	1%	\$ 9,000	1%	\$ 11,000	1%	\$ 13,000	1%	\$ 14,000	1%
Misc	\$ 15,788	2%	\$ 18,000	2%	\$ 22,000	2%	\$ 26,000	2%	\$ 28,000	2%
TOTAL	\$ 789,400	100%	\$ 900,000	100%	\$ 1,100,000	100%	\$ 1,300,000	100%	\$ 1,400,000	100%

Annual Increase

Cost of Goods Sold	Year 1	%	Year 2	%	Year 3	%	Year 4	%	Year 5	%
Category										
Food	\$ 84,861	25%	\$ 96,750	25%	\$ 118,250	25%	\$ 139,750	25%	\$ 150,500	25%
Liquor	\$ 42,628	20%	\$ 48,600	20%	\$ 59,400	20%	\$ 70,200	20%	\$ 75,600	20%
Wine	\$ 17,762	25%	\$ 20,250	25%	\$ 24,750	25%	\$ 29,250	25%	\$ 31,500	25%
Beer	\$ 39,786	28%	\$ 45,360	28%	\$ 55,440	28%	\$ 65,520	28%	\$ 70,560	28%
Coffee	\$ 1,500	19%	\$ 1,710	19%	\$ 2,090	19%	\$ 2,470	19%	\$ 2,660	19%
Misc	\$ 2,526	16%	\$ 2,880	16%	\$ 3,520	16%	\$ 4,160	16%	\$ 4,480	16%
TOTAL	\$ 189,061	28%	\$ 215,550	28%	\$ 263,450	28%	\$ 311,350	28%	\$ 335,300	28%

GROSS PROFIT

	\$ 600,339	76%	\$ 684,450	76%	\$ 836,550	76%	\$ 988,650	76%	\$ 1,064,700	76%
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Administrative Expenses

Labor	\$ 236,820	30%	\$ 270,000	30%	\$ 330,000	30%	\$ 390,000	30%	\$ 420,000	30%
Benefits	\$ 63,152	8%	\$ 72,000	8%	\$ 88,000	8%	\$ 104,000	8%	\$ 112,000	8%
Janitorial	\$ 12,000	2%	\$ 12,240	1%	\$ 12,485	1%	\$ 12,734	1%	\$ 12,989	1%
Marketing and Promotion	\$ 5,000	1%	\$ 5,100	1%	\$ 5,202	0%	\$ 5,306	0%	\$ 5,412	0%
Occupancy / 1	\$ 59,205	8%	\$ 67,500	8%	\$ 82,500	8%	\$ 97,500	8%	\$ 105,000	8%
Liability Insurance	\$ 18,000	2%	\$ 18,360	2%	\$ 18,727	2%	\$ 19,102	1%	\$ 19,484	1%
Credit Card Fees	\$ 15,788	2%	\$ 18,000	2%	\$ 22,000	2%	\$ 26,000	2%	\$ 28,000	2%
Management Fee	\$ 23,682	3%	\$ 27,000	3%	\$ 33,000	3%	\$ 39,000	3%	\$ 42,000	3%
Miscellaneous General	\$ 39,470	5%	\$ 45,000	5%	\$ 55,000	5%	\$ 65,000	5%	\$ 70,000	5%
TOTAL	\$ 473,117	60%	\$ 535,200	59%	\$ 646,914	59%	\$ 758,642	58%	\$ 814,885	58%

OPERATING PROFIT

	\$ 127,222	16%	\$ 149,250	17%	\$ 189,636	17%	\$ 230,008	18%	\$ 249,815	18%
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Revenue Per Seat

	\$ 76		\$ 11,842		\$ 14,474		\$ 17,105		\$ 18,421	
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Revenue Per SF

	1,830		431		601		710		765	
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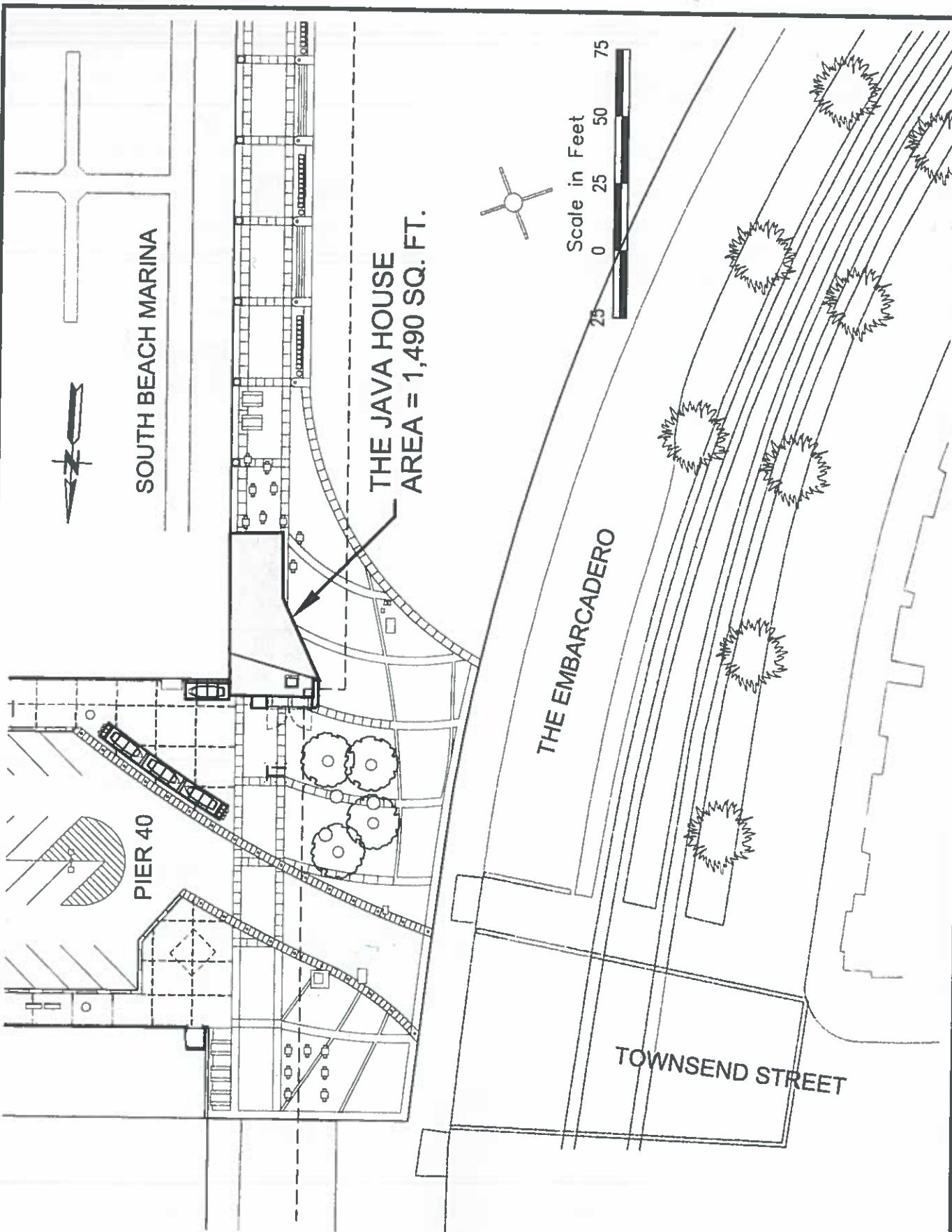
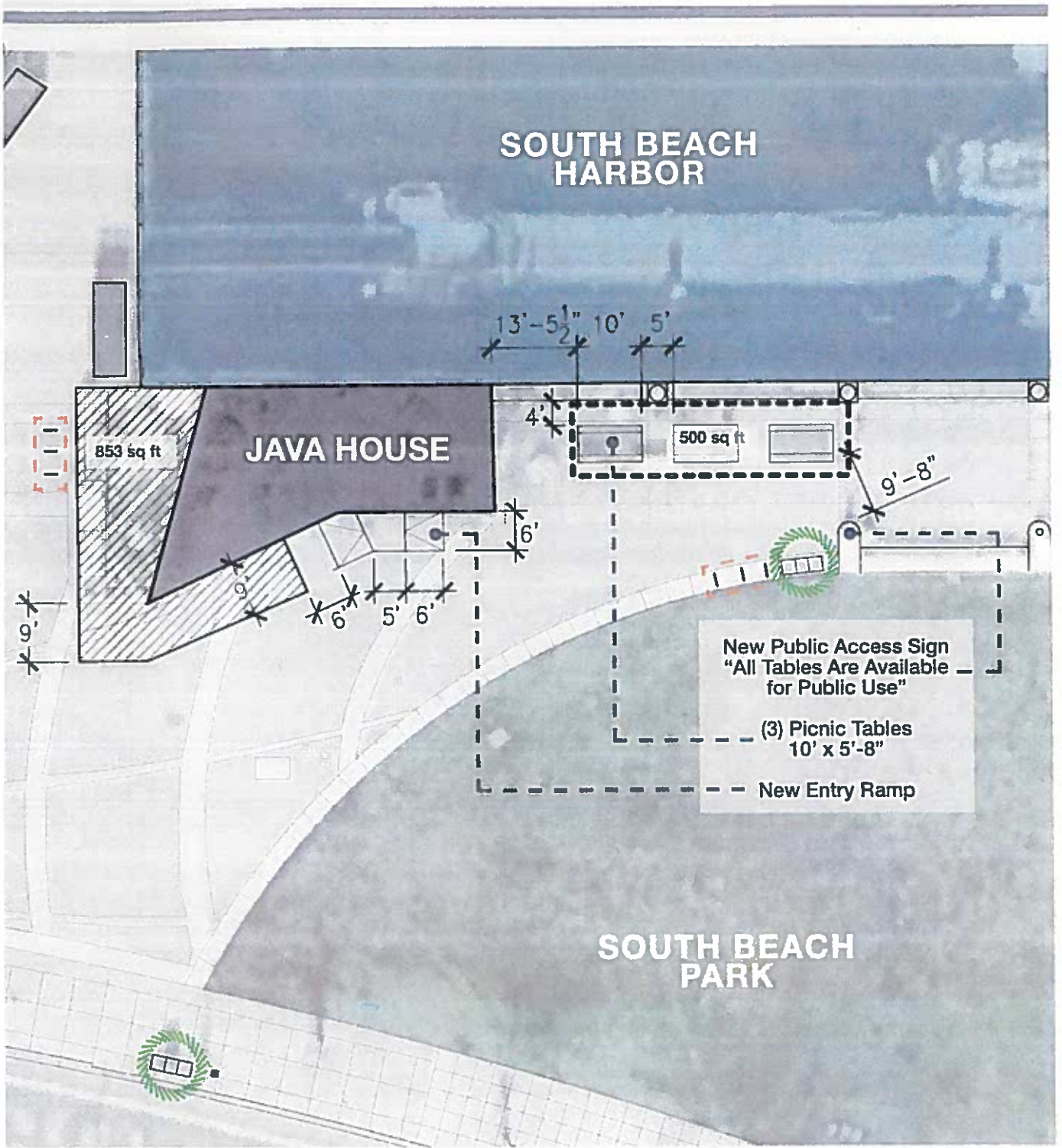


EXHIBIT C

INITIALS: PORT: _____ TENANT: _____ DATE: _____

LEASE NO. L-14100	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENANT JAVA HOUSE, LLC A CALIFORNIA LIMITED LIABILITY COMPANY	DRAWN BY: AMR	DATE: OCTOBER 25, 2007
			CHECKED BY: E. RILEY	SCALE: 1" = 50'
			PLACE CODE NO.	4031-00
			SHEET NO. 1	OF 1 SHEETS



Outdoor Cafe Seating



Public Access Outdoor Dining Area



Bigbelly Triple Station Compactor

Expanded Premises Patio Area / Public Access Improvements